

## Message Text

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PAGE 01 PEKING 00176 300138Z

22

ACTION EA-09

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TO SECSTATE WASHDC 5090

INFO AMCONSUL HONG KONG

AMEMBASSY WARSAW

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TAGS: ETRD CH PL

SUBJECT: POLAND'S TRADE WITH CHINA IN 1976

REF: PEKING 0095

1. SUMMARY. CHINA'S 1976 TRADE AGREEMENT WITH POLAND PROVIDES FOR \$109.6 MILLION IN TOTAL TRADE, A 19 PERCENT INCREASE OVER CONTRACTS CONCLUDED UNDER LAST YEAR'S ACCORD. DURING THIS YEAR'S NEGOTIATIONS THE CHINESE SUGGESTED THAT, IN ADDITION TO THE ANNUAL AGREEMENTS, SEPARATE BARTER DEALS AND HARD CURRENCY PURCHASES MIGHT BE USED TO INCREASE TRADE. REGARDLESS WHETHER SUCH INNOVATIONS PROVE FEASIBLE, SINO-POLISH TRADE WILL PROBABLY CONTINUE ITS PRESENT PATTERN OF SLOW, STEADY GROWTH FOR THE FORESEEABLE FUTURE. END SUMMARY.

2. DURING CALL ON JANUARY 28, POLISH EMBASSY COMMERCIAL ATTACHE SWITALA CONFIRMED PREVIOUSLY REPORTED FIGURES FOR THE 1976 ANNUAL SINO-POLISH TRADE AND PAYMENTS AGREEMENT (REFTEL) AND PROVIDED ADDITIONAL INFORMATION

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PAGE 02 PEKING 00176 300138Z

ON HIS COUNTRY'S COMMERCIAL RELATIONS WITH THE PRC.

3. SIGNED BY FOREIGN TRADE VICE MINISTERS CHEN CHIEH AND STANISLAV DLUGOSZ IN PEKING ON JANUARY 19, THE 1976 ACCORD PROVIDES FOR AN ESTIMATED \$109.6 MILLION (285 MILLION IN SWISS FRANCS) IN TOTAL TRADE INCLUDING \$52.3 MILLION IN POLISH EXPORTS AND \$56.9 MILLION IN IMPORTS. THIS IS A 19 PERCENT INCREASE OVER A TOTAL OF \$41.7 MILLION IN POLISH EXPORTS AND \$50.1 MILLION IN IMPORTS ACTUALLY CONTRACTED FOR IN 19MH\$NOFXSAIES #

FOR DELIVERIES IN 1975 ARE AVAILABLE.) UNDER THE PAYMENT TERMS OF THESE ANNUAL ACCORDS, POLISH TRADE DEFICITS ARE COMPENSATED BY EARNINGS FROM THE JOINT SINO-POLISH SHIPPING CORPORATION SO THAT A BALANCE IS MAINTAINED IN THE CLEARING ACCOUNTS HELD BY BOTH SIDES.

4. FOLLOWING PAST PATTERNS, THIS YEAR'S POLISH EXPORT LIST INCLUDES US \$8.8 MILLION IN COAL MINING EQUIPMENT, 100 DIESEL ENGINES, 30 FORK LIFT TRUCKS, 170 MACHINE TOOLS, 130 EXCAVATORS, 45,000 TONS OF ROLLED STEEL, TWO 12,000 HP SHIP ENGINES, BEARINGS, SPARE PARTS AND CHEMICALS. CHINESE EXPORTS WILL INCLUDE A TRADITIONAL MIX OF FOODSTUFFS, ANIMAL BY-PRODUCTS, TEXTILES, CONSUMER GOODS AND MINERALS.

5. PRIOR TO THE SIGNING OF THIS YEAR'S AGREEMENT, PRC FOREIGN TRADE MINISTER LI CHIANG TOLD DLUGOSZ THAT CHINA WAS INTERESTED IN EXPANDING ITS TRADE WITH POLAND AND WOULD BE WILLING TO CONCLUDE DEALS OUTSIDE THE CONTEXT OF THE ANNUAL ACCORDS. LI THEN MENTIONED SEPARATE COMMODITY-FOR-COMMODITY BARTER AGREEMENTS AND STRAIGHT CASE PURCHASES IN HARD CURRENCIES AS TWO WAYS THIS COULD BE ACCOMPLISHED. ACCORDING TO SWITALA THIS IS THE FIRST SUCH AUTHORITATIVE STATEMENT BY THE CHINESE AND THE POLES ARE NOW WAITING FOR CONCRETE PRC PROPOSALS. IF SUCH METHODS PROVE FEASIBLE THEY WOULD CREATE NEW CHANNELS FOR TRADE AND ALLOW GREATER FLEXIBILITY IN CONCLUDING CONTRACTS THAN THE RATHER RIGID STRUCTURE OF THE ANNUAL ACCORDS.

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PAGE 03 PEKING 00176 300138Z

6. REGARDLESS OF THE METHODS USED, THE VALUE OF SINO-POLISH TRADE WILL PROBABLY NOT SHOW MARKED INCREASES FOR THE FORESEEABLE FUTURE. DURING PREPARATIONS FOR THIS YEAR'S NEGOTIATIONS, SWITALA SAID HIS OFFICE'S RECOMMENDATION THAT POLAND SIGNIFICANTLY INCREASE ITS EXPORT OFFERINGS WAS TURNED DOWN BECAUSE WARSAW IS MORE INTERESTED IN EXPANDING SALES TO EUROPE AND AMERICA

THAN IN ACCEPTING LARGER QUANTITIES OF LIGHT INDUSTRIAL PRODUCTS FROM CHINA. ON THE OTHER HAND, THE CHINESE HAVE FOLLOWED A POLICY OF SLOW STEADY GROWTH IN EXPANDING THEIR TRADE WITH POLAND AND THIS WILL PROBABLY CONTINUE EVEN THOUGH NEW INNOVATIONS MAY MAKE IT EASIER TO CONCLUDE TRANSACTIONS.

THOMAS

NOTE BY OC/T: # AS RECEIVED.

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